Current Trends in the Cotton Industry

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The position of cotton in the economic scheme of the United States hardly needs emphasis. The number of persons deriving a livelihood in the production and distribution of cotton, the importance of the fiber in our export trade, and its utilization as the raw material of one of our leading manufacturing industries make cotton perhaps the most significant agricultural commodity that the country produces.

The value of the cotton crop is the major determining factor in the purchasing power of the population in the Southern States. In 1934, the total value of lint produced amounted to $612,802,000 and the value of cottonseed to $154,970,000, making a total of $767,772,000. In former years the value of cotton produced reached much higher figures; in 1928, the combined value of lint and seed was $1,529,000,000 and, in 1929, it was $1,445,000,000.

United States Share of World Cotton Production Below Pre-War Average

The average annual cotton crop, excluding linters, for the 5 years prior to 1934 was 14,380,000 bales. The 1926 crop, amounting to 17,977,000 bales, was the largest ever produced in the United States, and the smallest crop during the past 39 years was in 1921 when the ravages of the boll weevil cut the production to 7,954,000 bales.

During the 5-year period ended with the cotton season 1933–34 the annual output of American cotton was 56 percent of the world total, whereas during the 5 years preceding the World War it was 62 percent of the world total. This has been brought about mainly by an increase in production in other countries. Although recent production in the United States has been about 10 percent above that of the pre-war period, production outside of the United States has been about 45 percent above the pre-war level. The American crop of 1934, which amounted to 9,472,000 bales as a result of curtailed acreage and adverse crop conditions, was only about 43 percent of the world crop. This was the first time since the Civil War that the United States output was less than half of the world total.

Foreign Markets Take More Than Half of Production

Shipments of raw cotton to foreign countries represented 57 percent of the American crop during the past 10 years. The export market for our staple is, therefore, of relatively greater importance than is the domestic market and, since cotton is our premier cash crop, the connection between the purchasing power of the South and conditions in the cotton goods markets of the world is obvious.

While changes in our cotton exports in 1934, resulting partly from the exchange regulations and other instrumentalities of nationalistic economic policies in Europe and, perhaps, to some extent also from some features of our cotton-control program, have not crystallized into a definite trend, they have been marked in the past year. A variety of factors have undoubtedly influenced this movement. Shipments declined from 8,353,000 bales in the calendar year 1933 to 5,753,000 bales in 1934, a decrease of 2,600,000 bales or 31 percent. For the first 4 months of 1935, shipments totaled 1,497,000 bales against 2,304,000 bales for the corresponding months of 1934. The actual consumption of American cotton in foreign countries was not so low as indicated by the export figures, inasmuch as substantial quantities of American cotton were withdrawn from local stocks.

Table 1.—Exports of Cotton From the United States

(Thousands of running bales)

Country	1933	1934	Percent decrease	January–April		Percent decrease
				1934	1935	
Total	8,353	5,753	31.1	2,304	1,497	35.0
United Kingdom	1,490	896	39.9	398	289	34.2
European continent	4,421	2,547	42.5	1,179	677	42.3
Germany	1,662	740	55.2	435	96	78.2
France	852	491	50.2	196	107	42.5
Italy	804	463	58.7	200	182	9.0
Japan	1,814	1,737	4.2	545	374	31.4

Reduced shipments to Germany in 1934 and the first 4 months of 1935 may be accounted for chiefly by the stringent limitation of dollar exchange for cotton purchases. In the case of the United Kingdom, some American cotton has been replaced by Brazilian cotton which has been imported in much larger volume than heretofore, owing to the record cotton crops in Brazil; Indian cotton was also used to a greater extent. In France and Italy the decline is to be accounted for, in the main, by rather unfavorable conditions in the cotton manufacturing industry, while Japan imported larger quantities of Indian cotton as a result of the Indo-Japanese agreement and lower relative prices for that cotton.

Cotton exports represent the largest single item in the merchandise exports of the United States. During the past 10 years the value of cotton exports varied from 13 percent (1930) to 24 percent (1933) of the total value of all merchandise exported.

Cotton Consumption in the United States

During the 5 years ended July 31, 1934, United States consumption of domestic cotton averaged about 5,500,000 bales annually and in the preceding 5 years, about 6,500,000 bales annually. During the past 10 years the maximum consumption was 6,881,000 bales in the crop year 1926–27 and the minimum consumption was 4,744,000 bales in 1931–32.

The bulk of the cotton used by the cotton manufacturing industry of the United States goes to mills in the cotton growing States which take about three-fourths of the total, the rest being consumed mainly in the New England States.

Comparing the 5-year period 1929–30 to 1933–34 with the preceding 5 years, consumption of American cotton outside of the United States declined from an average of 8,260,000 to 7,500,000 bales, whereas the consumption of other cotton increased from 9,690,000 to about 11,000,000 bales. It is interesting that, in spite of the depression, consumption of all cotton outside of the United States increased from 17,950,000 bales during the period 1924–25 to 1928–29 to 18,500,000 bales during the past 5 seasons, while consumption in the United States showed a considerable decline. This can be partially accounted for by the more stable demand for cotton goods in foreign countries, owing to the fact that in these countries cotton goods represent mainly articles of wearing apparel, the purchases of which are generally on a hand-to-mouth basis by consumers with relatively small reserve purchasing power. In the United States, on the other hand, cotton is used to a considerable extent for industrial purposes.

Cotton Prices More Than Doubled From Depression Low

Cotton is a world commodity and its price is sensitive to world economic forces that affect demand, as well as to climatic and other factors that affect supply. Quotations for American cotton represent the price for Middling Upland ⅞-inch cotton and prices for the numerous other grades and staples are determined by differentials above or below this basic price. The average monthly price of cotton at New Orleans ranged, in the past 10 years, from about 26 cents in March 1925 to 5 cents in June 1932. The highest average price for the cotton season during this period was 24 cents in 1924–25 and the lowest was 6 cents in 1931–32. In 1932–33 the price was over 7 cents and in 1933–34 it was about 11 cents. Current quotations are between 11 and 12 cents.

Government Aid to Cotton Growers

Although cotton prices are among the most sensitive commodity prices, adjustment of production to world demand is not easy, owing to the large number of growers, uncontrollable climatic conditions and the seasonal nature of farm operations. As a result, the cotton farmer frequently faces very low prices which cause a demand for government relief. This is true not only in the United States but in other countries as well. In Egypt, for example, the government frequently comes to the aid of the cotton farmer by market operations or loans to growers. The United States Federal Farm Board, formed in 1929, extended loans to cotton cooperatives in order to enable them to hold cotton for more favorable prices.

The agricultural adjustment program, begun in 1933, is a more comprehensive system of assistance to cotton growers as well as to producers of other farm products. The purpose is to control the volume of cotton production through agreements with individual growers in order to maintain a profitable income for the farmers. With the inducement of rental or benefit payments, the Secretary of Agriculture in the summer of 1933 secured agreements from more than 1,000,000 cotton growers (who planted more than 38,000,000 acres in the years 1928–32) to plow under more than 10,000,000 acres of the cotton and to reduce plantings in 1934 by 40 percent from the base acreage. The curtailment program for 1935 provides for a 25 percent reduction in acreage. In order to insure that the crop would not exceed the limits desired, the Bankhead bill which provides a tax on ginnings above a certain quota was enacted into law in April 1943 and became effective for the 1934–35 season.

The rental and benefit payments to the cotton growers from the beginning of the program in August 1933 to the end of February 1935 totaled $221,182,000.

Table 2.—Trend of Major Cotton Industry Statistics, 1925–34

NOTE.—Data assembled by the Association of Cotton Textile Merchants of New York from Bureau of the Census reports and information obtained through the courtesy of machinery manufacturers. Cloth production for the noncensus or even years has been estimated to correspond to spindle-hour activity during the preceding census years.

	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Spindles in place at beginning of year[1]	37,938,772	37,871,034	37,364,730	36,465,970	35,267,086	34,541,480	33,008,494	32,226,526	31,442,174	30,938,340
New installation, additions and replacements	348,292	217,964	496,102	266,012	320,794	251,036	285,083	143,008	348,659	520,940
Spindles active at any time during year ending July 31	35,032,246	34,750,268	34,409,010	33,569,792	32,417,038	31,245,078	28,978,646	27,271,938	26,894,800	27,742,462
Average number of active spindles based on 12 monthly reports	32,042,070	32,352,202	32,647,110	29,961,042	30,408,548	27,209,470	25,474,107	23,250,757	24,873,270	25,119,436
Percentage relation of average active spindles to spindles in place ...percent	84.64	85.41	87.11	82.10	84.22	78.96	70.38	71.92	79.11	81.10
Spindle hours run ...thous	94,600,128	97,023,030	104,460,216	92,728,881	98,868,724	76,702,056	77,703,298	70,215,348	80,580,233	76,711,413
Hours run per average active spindle	2,936	2,999	3,200	3,095	3,235	2,813	3,036	3,020	3,491	3,014
Production ...sq. yd	7,741,548,000	7,930,942,000	8,680,414,000	7,872,651,000	8,641,646,000	6,558,164,000	7,140,683,000	6,446,342,000	8,109,717,000	7,084,437,000
Exports ...do	543,317,000	513,209,000	565,021,000	546,847,000	564,444,000	416,285,000	366,959,000	375,446,000	302,042,000	226,306,000
Imports ...do	108,249,000	60,080,000	63,002,000	61,296,000	61,185,000	34,517,000	34,732,000	29,434,000	41,348,000	41,533,000
Available for domestic consumption:										
Total ...sq. yd	7,307,500,000	7,481,823,000	8,178,395,000	7,494,090,000	8,088,287,000	6,177,380,000	6,808,456,000	6,100,330,000	7,849,023,000	6,899,664,000
Per capita ...do	63.62	64.26	71.73	62.50	66.14	50.14	54.88	48.84	62.40	54.69

[1] Spindles in place at beginning of 1935, 30,889,494.

The funds for these benefit payments are obtained from a processing tax of 4.2 cents per pound on raw cotton purchased by cotton mills. For the above period the tax collected aggregated $210,447,000, including $60,000,000 of floor taxes, $11,683,000 compensatory taxes, and $556,000 ginning taxes.

Cotton Manufacturing in the United States

Conditions in the cotton manufacturing industry are far from satisfactory. The situation in April 1935 resulted in the appointment of a Cabinet committee by the President to investigate and study the whole problem. For more than 2 weeks manufacturers, merchants, and officials for the cotton manufacturing States appeared before the committee and presented their analysis of the adverse factors with which the industry has had to contend and to suggest remedial action.

Some of the more important subjects and recommendations presented for discussion were: Discontinuation of the processing tax as a method of securing funds necessary for benefit payments to cotton farmers; recovery of export markets for cotton products through governmental financial assistance; curtailment of cotton goods imports which in bleached fabrics for the first quarter of 1935 were stated to represent a considerable percentage of the domestic production of competitive types; elimination of wage differentials between New England and the South for the purpose of easing the competitive situation; adjustment of the capital structure; age and efficiency of machinery; and merchandizing and marketing practices.

It is not possible to discuss the points of view presented on these different matters, except to suggest that it was quite evident that from the standpoint of consumption of products, employment, and the financial position of the industry, serious consideration is justified. Sifting the so-called emergency problems from those of long-range fundamental character is, of course, essential before remedial measures may be formulated.

Trend of Operations Over a Decade

In considering the current situation, the accompanying table assembled by the Association of Cotton Textile Merchants of New York, presenting the trend of the major statistics of the cotton manufacturing industry, is illuminating. The salient points indicated in this table are the decrease in spindles, in cloth production, and in foreign sales of cotton cloth. The number of spindles in place has declined progressively since 1925. By the end of 1934, the decline in spindles amounted to 7,010,000, or 18 percent of the number in place in 1925. Annual cloth production for the 5 years 1930–34 averaged 7,067,000,000 square yards, compared with 8,235,000,000 yards in the preceding 5-year period, an average annual loss of 1,168,000,000 yards.

Foreign Trade in Cotton Cloth

Exports of cotton goods, although representing only about 6 percent of domestic production during the last decade, have always been regarded as an essential part of the market.

The loss of export trade in cotton cloth in recent years is attributable mainly to keen foreign price competition combined with reduced demand for cotton piece goods in many important consuming markets and to a more limited extent to the development of local cotton manufacturing industries in former export markets.

The trend of United States export trade in cotton goods during recent years is shown in the following table:

Table 3.—United States Exports of Cotton Cloth, Duck, and Tire Fabrics

Year	Total		Exported to—				
	Quantity	Value	Philippine Islands	Cuba	South America	Central America	Canada
	1,000 sq. yds.	*1,000 dolls.*	*1,000 sq. yds.*	*1,000 sq. yds.*	*1,000 sq. yds.*	*1,000 sq. yds.*	*1,000 sq. yds.*
1925	543,517	80,013	79,782	66,424	139,482	83,193	38,001
1929	504,447	79,413	61,342	76,644	118,097	60,462	26,038
1930	418,386	51,356	48,672	84,356	83,297	40,012	58,272
1931	308,949	35,739	61,569	54,264	78,785	44,073	37,100
1932	370,447	37,347	116,065	50,153	66,267	47,416	25,667
1933	303,043	23,611	88,037	46,074	46,973	44,382	17,112
1934	224,308	24,038	47,876	67,575	34,316	33,488	12,040
Jan.–Mar.:							
1934	60,053	6,403					
1935	60,690	5,565					

Imports of cotton cloth are comparatively small in relation to domestic production, as may be seen by reference to table 2. Imports for consumption in 1934 of countable cotton cloths totaled 41,535,000 square yards valued at $6,736,000, or about the same as in 1933. Imports from Japan rose rapidly in the first quarter of 1935 and this increase was one of the concerns which led to Government action in appointing the Cabinet committee previously mentioned. Details of the import trade, by countries, are presented in the accompanying table.

Table 4.—United States Imports of Countable Cotton Cloths[1]

Year	Total		Imported from—					
	Quantity	Value	United Kingdom	Switzerland	Czechoslovakia	Japan	France	Germany
	1,000 sq. yds.	*1,000 dollars*	*1,000 sq. yds.*	*1,000 sq. yds.*	*1,000 sq. yds.*	*1,000 sq. yds.*	*1,000 sq. yds.*	*1,000 sq. yds.*
1925	103,240	25,424	91,519	3,520	3,078	6,178	2,482	3,126
1929	61,185	15,001	32,732	14,063	7,340	1,217	2,001	1,681
1930	35,617	9,428	18,046	7,861	3,045	1,616	1,969	1,900
1931	34,722	7,084	10,139	13,616	3,072	770	1,626	1,789
1932	28,436	4,248	6,400	10,789	2,353	780	720	1,565
1933[2]	41,348	6,360	9,644	20,805	2,301	1,116	609	1,440
1934	41,535	6,736	9,901	16,668	1,789	7,287	337	433
Jan.–Mar.:								
1934	14,027	2,352	2,760	6,571	835	461	100	109
1935	21,870	2,267	3,001	2,209	516	12,771	84	148

[1] General imports prior to 1934; imports for consumption in 1934.
[2] Imports for consumption (from all countries) in 1933 amounted to 40,139,000 square yards valued at $6,024,000, or slightly less than general imports.

NOTE.—"General imports" comprise imported articles entered at the customhouses for immediate consumption and imported articles entered for warehouse. "Imports for consumption" comprise imported articles entered for immediate consumption and imported articles withdrawn from warehouse for consumption.